

1 resulted in the continued prohibition of casino
2 gambling in Massachusetts.

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4 Director of the United States Gambling Research
5 Institute and Professor of Environmental Design and
6 Planning at Hampshire College. Professor Goodman
7 authored The Luck Business, a study of contemporary
8 gambling policy in America. The publication grew out
9 of his work as director of the United States Gambling
10 Study, a privately funded research project.

11 Welcome Mr. Goodman.

12 Michael Jones. Mr. Jones is President of
13 Michael Jones and Company and former director of the
14 Illinois State Lottery. His company has been involved
15 in a number of North American lottery jurisdictions,
16 working for vendors, assisting in bid responses and
17 interacting directly with top lottery officials. Mr.
18 Jones writes regularly for International Gaming and
19 Wagering Business magazine and The Gaming Law Review.

20 Thank you all gentlemen for being here this
21 afternoon. And I'd like to remind you at this point
22 that each panelist should consider himself under oath
23 under the supplemental rules of the Commission. And I

1 would tell you that we are delighted you have joined us
2 and look forward to your testimony.

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23 CHAIRPERSON JAMES:

24 We'll start with you, Mr. Bosley.

1 REPRESENTATIVE BOSLEY: Thank you very
2 much, Madame Chairman. I would like to thank you for
3 convening in Boston. I'd like to wish you all a Happy
4 St. Patrick's Day. It's a very big part of our
5 heritage and I hope you have time to enjoy some of the
6 activities while you're here for the next couple of
7 days. I would also like to thank you for your work on
8 this very complicated issue. Your charge is not an
9 easy one but I think it's a very important one as we
10 decide our public policy as we go forward into the
11 future.

12 I'm very pleased that this Commission was
13 formed and appointed and is looking at this. I think
14 it's important for us to promote a national policy or
15 at least talk about a national policy on gaming. In
16 Massachusetts, much of the deliberations on this issue
17 have come as a reaction to what surrounding states are
18 doing or considering to do. We find ourselves reacting
19 to casinos in Connecticut, video poker in Rhode Island,
20 Power Ball games in New Hampshire and the beat goes on.

21 We also find that we are reacting to
22 federal legislation on Indian gaming, which is what
23 predicated a lot of the work that we did over the last
24 few years. And any time that legislation is reactive

1 rather than deliberative it is not very good public
2 policy. So, if we had a public policy that was
3 national in scope where we could cooperate with our
4 neighbors it certainly would be much better and much
5 more deliberative.

6 For the record, I'm Dan Bosley, I'm the
7 House Chair of the Joint Committee on Government
8 Regulations. My committee has responsibility for
9 deliberating on all matters concerning gambling in
10 Massachusetts. It includes but is not limited to horse
11 racing, dog racing, class III gaming, charitable
12 gaming, we have Las Vegas style nights as charity
13 gaming, we have bingo, and of course the Lottery, which
14 is the biggest form of gaming in Massachusetts.

15 In my written remarks which I will
16 paraphrase because I know you all have that, I'm not
17 going to read every word of it, just try to get to the
18 high points. But I have also submitted several items
19 in written materials, a post audit report that was done
20 last year in December, Gambling with the Public Trust,
21 and it's a review of the issue of free play coupons,
22 which has been very controversial in Massachusetts.
23 I'm not sure all of the conclusions of the study were
24 correct but I think that it's important that you see A:

1 some of the issues we're dealing with; and B: some of
2 the oversight committees that we have.

3 I've also included an executive summary of
4 what was a rather extensive report on The Impact of
5 Casinos on Lottery Revenues. That was commissioned by
6 the State Lottery Commission at the request of the
7 legislature, to look at the impact of several gaming
8 proposals that were advanced and considered over the
9 last few years.

10 The third submittal is proposed legislation
11 that has been recommended by my committee and is now
12 sitting in House Ways and Means. And that makes
13 comprehensive changes in our lottery. It starts to
14 restrict Keno to age controlled establishments and
15 limits the number of Keno outlets, both in number and
16 space in any given location. This was necessary
17 because Keno has been growing exponentially in
18 Massachusetts.

19 I'd like to touch on Keno briefly later on
20 but it's worth noting that we need to control this
21 activity from a public policy perspective, rather than
22 just a need for revenues. There are convenience stores
23 presently in Massachusetts where almost all of the
24 floor space is used as a Keno casino if you will. In

1 places such as Tony D's in Waltham, a convenience store
2 that may have a can of soup or a box of Kleenex on the
3 shelf to keep up the facade of being a convenience
4 store, the original attempt of establishing Keno has
5 been corrupted.

6 We also need to take a look at the number
7 of establishments that we have in Massachusetts for
8 Keno. Presently there are 1,600 outlets for wagering
9 on Keno, one-third of which are not age controlled.
10 The Lottery Commission was approving licenses every day
11 up to the point when we filed this legislation, where
12 we, working with the Lottery, both decided we would put
13 a moratorium on that. But in fact at the time the
14 legislation was filed, the Lottery was ready to approve
15 a license for a taxi stand at Logan Airport. So it was
16 growing, we were putting Keno outlets everywhere. So
17 we need to rethink what we expect from our lottery and
18 this bill is, I think, a good first step, so I've
19 included that in my submittals.

20 And lastly, I've included the gaming
21 memorandum that I wrote as a report to the Speaker of
22 the House in Massachusetts, Tom Finneran. In May of
23 1996, the Speaker appointed me to my present committee
24 because there were two outstanding issues in the

1 committee. One was the plethora of gaming proposals
2 that Massachusetts had at the time and the other was
3 electricity restructuring, two hot topics, very
4 complicated topics. And we've spent some time over the
5 last two years dealing with both of those. And I'm
6 happy to report that not only did we issue a
7 comprehensive report on gambling, we also cut
8 electricity rates ten percent in Massachusetts, so
9 we've done pretty good, I think.

10 It was subsequent, this report that I
11 wrote, it was subsequently the basis on which the House
12 rejected proposed legalized casinos in Massachusetts
13 and I think it will prove interesting in that part of
14 the conclusions I reached were based on my concerns on
15 casinos gambling's impact of our state lottery and the
16 projected impact of revenues that currently inure to
17 the cities and towns of the Commonwealth.

18 As to the ability of state legislators to
19 regulate lotteries, I think there is a schizophrenia
20 today in legislatures and I'm sure that we're not
21 alone, I think it probably exists in most state
22 legislatures. Here in Massachusetts much of the money
23 sent back to cities and towns in the form of local aid
24 is derived from our lottery.

1 Yet we are uncomfortable with what is a
2 state sponsored addiction for some people, our lottery,
3 and we take great pains to proclaim our comfort, even
4 as we're issuing press releases back home that herald
5 the increased local aid that comes from that source.
6 We don't like to acknowledge our role in bringing
7 lottery to the public, we prefer to call it gaming,
8 which is much less harmful sounding than gambling. Yet
9 we continue to pass legislation that expands our gaming
10 options.

11 We laud the winner for example, of a recent
12 \$21 million jackpot who was a grandmotherly type who
13 has realized every man's dream of hitting the lottery,
14 yet we deny or ignore the fact that this woman was
15 playing \$150 a week on this game, some of it illegally
16 because she was using credit from the store, which is
17 clearly against lottery regulations. This is excessive
18 behavior from any income bracket and we need to look at
19 that when we deliberate and look at the positive
20 benefits of our lottery.

21 We deny more advertising funds for our
22 lottery so as not to encourage gaming yet we demand
23 more and more money for our cities and towns. This is
24 schizophrenic. I would submit that government has a

1 difficult time regulating the gaming industry that
2 we've created and the difficulty is exacerbated by the
3 inherent conflict in setting public policy and getting
4 caught up in a growing dependence on this activity for
5 revenues.

6 If you consider the course of the Lottery
7 in Massachusetts, it was started in 1975 with the
8 understanding that the revenues would be used to pay
9 for education. I remember, we used to get a little
10 green ticket, when the Lottery first started you got a
11 little green ticket and that was your Lottery stub. In
12 looking back at that debate on that issue by the way,
13 many of the arguments are still used today, let people
14 do what they want; people are gambling anyway, let's
15 get a piece of the action; we need the money, it'll go
16 for a good cause; if we don't do this, people will go
17 elsewhere, we'll lose the money or other states will
18 beat us to this form of revenue.

19 There was considerable debate but
20 ultimately we decided to pass this modest proposal for
21 this little green ticket as a funding mechanism to
22 enhance education. Since that time, the legislature
23 has continuously acceded to the demand of increased
24 future revenues. Each time the issue has come up we

1 have passed an expansion of the Lottery, many time with
2 little debate as to the public policy, especially since
3 local property taxes were limited by referendum in
4 1980.

5 We have looked to the Lottery time and
6 again, even though every study indicates that the
7 burden of funding this revenue source falls
8 disproportionately on lower income residents of the
9 Commonwealth and on our poorest communities. We also
10 have studies that indicate that each expansion of our
11 lottery, we now play, by the way, \$500 per capita, I
12 think that's twice what anyone else plays. It's very
13 successful from the Lottery's perspective, in some
14 cases, in some communities, it's over \$1,000 per capita
15 played in the Lottery.

16 And we have studies that indicate that each
17 expansion has either captured or created more problem
18 gamblers or has increased the state's dependence on low
19 income players for revenues. Every time we expand and
20 people play, in the poorest communities, we're relying
21 on the poorest members of our society to give us
22 revenues to send back to cities and towns.

23 What have we done since the introduction of
24 the little green ticket back in 1975, we've expanded

1 our daily number drawing to a seventh day, we've added
2 three bi-weekly jackpots, Mass Millions, Mass Cash and
3 Megabucks. We promote at any one time up to 35
4 individual instant scratch tickets and have expanded
5 with the creation of the Big Game, which is a multi-
6 state Power Ball type game, that was a reaction to New
7 Hampshire and New York having Power Ball. After less
8 than one year in operation, incidentally, we have now
9 expanded to a second drawing a week in the Big Game.

10 Lastly, we have added, as I mentioned
11 before, 1,600 Keno outlets where a game and a betting
12 opportunity happens every five minutes. Have we shown
13 any ability to regulate ourselves, or any restraint?

14 I mentioned earlier our rush to expand
15 Lottery outlets. We started Lottery as a reaction to
16 filling a \$25 million budget gap and today, roughly
17 five years later, since we started this in 1993 in the
18 budget, Keno is projected at over \$460 million in
19 revenues. We have licensed Keno outlets next to
20 pawnbrokers, check cashing facilities and in
21 convenience stores in nearly every neighborhood in the
22 state.

23 As I stated earlier, the Lottery started as
24 a potential funding source for education for our cities

1 and towns. After 1980 it was viewed as a way to offset
2 local property taxes lost under a referendum question.
3 But as with every program, longevity has turned into
4 entitlement. Cities and towns now demand more money
5 each year from the Lottery. In fact, most of them will
6 factor revenue growth into their budgets each year.

7 This is very dangerous for two reasons,
8 first, there is no balance today in this discussion of
9 expectations for the Lottery. Whether the Lottery is
10 any longer good public policy, or more to the point,
11 whether expansion of the Lottery is good public policy,
12 has become subsidiary to the revenues produced. We've
13 become dependent in part on state- sponsored gambling.
14 This, by the way, is a far cry from whether we should
15 let people gamble. State sponsorship gives an
16 imprimatur to this activity, that's a subtle difference
17 and very important and should be subject to constant
18 reevaluation. But to this date we haven't reevaluated
19 any of these games, we just keep adding more games.

20 Secondly, the pattern of Massachusetts
21 Lottery and really, gaming in general is that games
22 become tired and lose their allure, this leads to a
23 decline in revenues for that particular product. This
24 in fact is happening in most of our games right now.

1 If it wasn't for Keno we would actually see declines,
2 the declines in the bi-weekly games are anywhere from
3 12 to 30 percent over the past year in the Mass Cash,
4 Megabucks and Mass Millions. In fact, most of our
5 games have become tired, that's why we constantly roll
6 those games over. And that's why we've expanded our
7 Lottery offerings from that little green ticket in 1975
8 to the potpourri of programs that are extant today.

9 Therein lies the second danger in our
10 inability to regulate ourselves. We have had to
11 constantly expand our product line to increase
12 revenues. However, last year the legislature voted
13 overwhelmingly to reject expanding our legalized gaming
14 to casinos and slot machines at the race tracks.
15 Without this expansion Lottery revenues will decrease
16 over time, it is inevitable that that isgoing to
17 happen.

18 In other words, there is no place to go
19 without venturing into class III gaming, with the
20 advent of either video poker or slot machines.
21 Legalizing class III gaming would of course inevitably
22 lead to casinos, either from outside sources or more
23 likely from Indian gaming interests. But I believe

1 that the benefits to be gained from those casinos on a
2 statewide level are questionable and somewhat illusory.

3 Would a Wampanoag casino in Fall River help
4 the Wampanoags; yes it would. Would it help us in the
5 state with our revenue problems; no I don't believe
6 that it would. And our decision to reject that was
7 based on statewide interests.

8 Studies indicate that casinos will take
9 revenues away from the Lottery and by extension, from
10 our cities and towns. That's because even though some
11 studies indicate that we will recapture some money now
12 being spent outside of the state by opening revenues
13 within the state, most revenues will indeed come from
14 Massachusetts.

15 Since our Lottery is by far the most
16 successful in the nation, a disproportionate share of
17 gaming dollars would shift from the Lottery to other
18 venues. The state would receive a smaller share of
19 those dollars from casinos, roughly 21 percent of the
20 gross instead of 63 percent of Lottery revenues.
21 Therefore, even if we were to redirect every dollar
22 from casinos to local aid we would have to experience a
23 300 percent increase in spending or gambling just to
24 remain in the same fiscal position.

1 Never mind the public policy over whether
2 gambling is good social policy or whether it makes
3 sense to encourage gambling by people that turn around
4 and we subsidize through a variety of state programs.
5 Just from the revenue figures, expansion into class III
6 gaming probably means a loss of revenue to the Lottery.

7 To put it another way, if we don't continue
8 to expand, we'll lose revenues, if we do continue to
9 expand, we are probably going to lose revenues in the
10 long run, for the Lottery.

11 We haven't discussed this as public policy
12 in a very comprehensive way, it's left us pretty ill-
13 prepared to handle this inevitability. That in and of
14 itself is poor public policy. Driven by the
15 inclination of public officials to increase budget line
16 items while exhibiting a similar disinclination to
17 discuss appropriate revenue sources, thus far lotteries
18 have been easy money even if they are not easy public
19 policy.

20 Can we regulate ourselves? Obviously, we
21 should not have become dependent on lottery revenues to
22 begin with. Since taking over as chair of this
23 committee I have tried to address some of these issues,
24 and I mentioned before the Lottery legislation that we

1 have before us. But our historical record is not good,
2 we need to draw a box around our lottery, that was a
3 phrase that was given to me by the attorney general in
4 Oregon, Mr. Kulongoski who is now on the bench, he
5 authored a report and I liked it so much I stole that
6 phrase. Because I think that we do need to draw a box
7 around it and we do need to reexamine what we want the
8 lottery to do.

9 We need to include all of the stakeholders
10 in this, both public officials, cities and towns,
11 municipal officials, people who run the lottery in this
12 discussion over our future. Revenues have been
13 exceptional in Massachusetts over the past few years,
14 we are projecting about an \$800 million surplus this
15 year and expectations are that over the next few years
16 we will indeed see continued revenue growth.

17 So the time is very good right now, there
18 is no time like the present for trying to deal with
19 this issue. But as with everything else, the easy road
20 of ignoring this problem is usually the path most
21 chosen over the difficult trek of reexamining our
22 priorities and establishing a more consistent funding
23 mechanism for our cities and towns.

1 To ignore these warning signals now could
2 be disastrous in the future as we react to a situation.
3 I hope that we don't do that and that we can find a way
4 out of this so we can continue to establish funds going
5 back to cities and towns and yet somehow wean ourselves
6 off of what is not a very dependable source of
7 revenues.

8 Thank you very much and I look forward to
9 your questions afterwards.

10 CHAIRPERSON JAMES: Thank you.

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